



# ADOPTED

BOARD OF SUPERVISORS  
COUNTY OF LOS ANGELES

19 July 14, 2015

Los Angeles County  
Board of Supervisors

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July 14, 2015

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

Dear Supervisors:

Mitchell H. Katz, M.D.  
Director

Hal F. Yee, Jr., M.D., Ph.D.  
Chief Medical Officer

**APPROVAL OF AMENDMENT TO INDIGENT CARE, EMERGENCY CARE,  
AND INTENSIVE CARE AGREEMENT WITH MARTIN LUTHER  
KING, JR.-LOS ANGELES HEALTHCARE CORPORATION  
(SECOND DISTRICT)  
(3 VOTES)**

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Los Angeles, CA 90012

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*To ensure access to high-quality,  
patient-centered, cost-effective  
health care to Los Angeles County  
residents through direct services at  
DHS facilities and through  
collaboration with community and  
university partners.*

**SUBJECT**

Request approval of an amendment to the Indigent Care, Emergency Care, and Intensive Care Agreement with Martin Luther King, Jr.-Los Angeles Healthcare Corporation to add flexibility on when payments will be made.

**IT IS RECOMMENDED THAT THE BOARD:**

Delegate authority to the Director of Health Services (Director), or his designee, to execute an amendment to the Indigent Care, Emergency Care, and Intensive Care Agreement (Indigent Care Agreement) with Martin Luther King, Jr.-Los Angeles Healthcare Corporation (MLK-Healthcare) to provide flexibility in the timing of the indigent care payment with no change in the aggregate annual payment amount.



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### **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

The Indigent Care Agreement between the County and MLK-Healthcare currently provides that the annual payment of \$18 million for indigent care services is to be made in four equal installments during the first week of each quarter. The Department of Health Services (Department) believes it would be better if the parties had flexibility to determine when to make the payments, so that they can be used to address cash flow issues at MLK-Healthcare. Approval of the recommendation will allow the Director to execute an amendment, substantially similar to Exhibit I which would remove the requirement for quarterly payments and substitute a provision allowing payments to be made using a schedule agreed upon by the parties. Such schedule could include paying the entire amount at the beginning of the fiscal year. This recommendation affects only the timing of the annual payments; there will be no change in the \$18.0 million annual payment amount presently due under the Agreement.

### **Implementation of Strategic Plan Goals**

The recommendation supports Goal 1, Operational Effectiveness/Fiscal Sustainability, of the County's Strategic Plan.

### **FISCAL IMPACT/FINANCING**

The recommended action will not change the amount that the County is required to pay MLK-Healthcare each year.

### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

The payment requirements under the current Agreement are very specific, i.e. the annual amount due from the County for indigent care services must be made in four equal installments with each installment due by the end of the first week of each quarter.

There are multiple challenges associated with managing cash flow when opening and operating a new hospital, including potential delays in receiving payment from managed care plans, commercial insurance, and the federal and state governments, or changes in regulations or other circumstances that could negatively impact when MLK-Healthcare can collect its revenue. Therefore, the Department would like to have the ability to assist MLK-LA Healthcare in limiting any cash flow problems that may arise by adjusting when the County makes its indigent care payment. Any revision to the payment schedule will be mutually agreed upon by the Department and MLK-Healthcare, and can be changed from year to year as circumstance or need changes.

County Counsel has reviewed and approved Exhibit I as to form.

### **IMPACT ON CURRENT SERVICES (OR PROJECTS)**

Approval of the recommendation will provide flexibility to the Department to address potential cash flow issues at the hospital run by MLK-Healthcare.

The Honorable Board of Supervisors

7/14/2015

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Respectfully submitted,

A handwritten signature in black ink, reading "Mitchell Katz". The signature is written in a cursive, flowing style.

Mitchell H. Katz, M.D.

Director

MHK:adb

Enclosures

c: Chief Executive Office  
County Counsel  
Executive Office, Board of Supervisors

Agreement No.: H-706004

INDIGENT CARE, EMERGENCY CARE AND  
INTENSIVE CARE AGREEMENT

Amendment No. 1

THIS AMENDMENT is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_,

By and between

COUNTY OF LOS ANGELES  
(hereafter "County"),

And

MARTIN LUTHER KING, JR.-  
LOS ANGELES HEALTHCARE  
CORPORATION  
(hereafter "Contractor")

Business Address:  
4733 Torrance Blvd., Suite 419  
Torrance, CA 90503

WHEREAS, reference is made to that certain document entitled "INDIGENT CARE, EMERGENCY CARE AND INTENSIVE CARE AGREEMENT," dated April 25, 2014, and further identified as Agreement No.: H-706004, (hereafter referred to as "Agreement"); and

WHEREAS, it is the intent of the parties hereto to amend the Agreement to revise certain of the terms related to payment as set forth herein; and

WHEREAS, Agreement provides that changes in accordance to Paragraph 7.1, Amendment of Terms, may be made in the form of an Amendment which is formally approved and executed by the parties; and

NOW, THEREFORE, THE PARTIES HERETO AGREE AS FOLLOWS:

1. Agreement, Paragraph 3.2, Installment Payments of Care Payment, Sub-paragraph (b), is deleted in its entirety and replaced as follows:

"(b)     Installment Payments in Other Years:

County shall pay the annual Care Payment in such installments at such times during the year as the parties may, from time to time, agree. The timing of the payments, which may include a single payment at the beginning of the fiscal year, may change from year to year, or during the year, so long as the aggregate payment during any fiscal year does not exceed the annual Care Payment amount. Provision for the timing of the Care Payment does not require a formal amendment to this Agreement, but must be memorialized in a writing signed by both parties."

2.     Except for the changes set forth hereinabove, Agreement shall not be changed in any respect by this Amendment.

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IN WITNESS WHEREOF, the Board of Supervisors of the County of Los Angeles has caused this Amendment to be executed by the County's Director of Health Services and Contractor has caused this Amendment to be executed on its behalf by its duly authorized officer, the day, month, and year first above written.

COUNTY OF LOS ANGELES

By: \_\_\_\_\_  
Mitchell H. Katz, M.D.  
Director of Health Services

CONTRACTOR

MARTIN LUTHER KING, JR.-LOS ANGELES  
HEALTHCARE CORPORATION

By: \_\_\_\_\_  
Signature  
\_\_\_\_\_  
Printed Name  
\_\_\_\_\_  
Title

APPROVED AS TO FORM:  
MARY C. WICKHAM  
Interim County Counsel

By \_\_\_\_\_  
Anita D. Lee  
Principal Deputy County Counsel